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C. DUKES SCOTT  
EXECUTIVE DIRECTOR

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Columbia, S.C. 29211



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DAN E. ARNETT  
CHIEF OF STAFF

May 17, 2005

**VIA HAND DELIVERY**

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Dr., Suite 100  
Columbia, SC 29210

Re: Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of South  
Carolina Pipeline Corporation  
**Docket No. 2006-6-G**

Dear Mr. Terreni:

Please find enclosed for filing the Settlement Agreement containing the original signatures of the parties in this docket and sixteen copies. Please date stamp one copy and return it to me via our courier.

We have served same on all parties of record and enclose a Certificate of Service to that effect.

Please let me know if you have any questions.

Sincerely,

*Wendy B. Cartledge*

Wendy B. Cartledge

WBC  
Enclosures

cc: K. Chad Burgess, Esquire (w/enclosures)  
Paul W. Dillingham, Esquire (w/enclosures)  
Scott Elliott, Esquire (w/enclosures)  
James N. Horwood, Esquire (w/enclosures)  
Patricia Banks Morrison, Esquire (w/enclosures)

**STATE OF SOUTH CAROLINA**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**DOCKET NO. 2006-6-G**

**IN RE:**

South Carolina Pipeline Corporation  
Annual Review of the Purchased Gas  
Adjustments and Gas Purchasing Policies

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**CERTIFICATE OF SERVICE**

This is to certify that I have caused to be served this day one (1) copy of the Settlement Agreement, upon the persons named below, at the addresses set forth via the service means indicated:

**First Class US Mail:**

Patricia Banks Morrison, Esquire  
**SCANA Corp.**  
1426 Main Street  
Columbia, SC, 29201

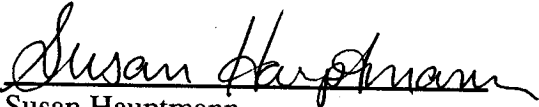
K. Chad Burgess, Esquire  
**Willoughby & Hoefer, P.A.**  
930 Richland Street  
Cola., SC 29210

Scott Elliott , Esquire  
**Elliott & Elliott, P.A**  
721 Olive Street  
Columbia, SC, 29205

**Overnight Delivery:**

James N. Horwood , Esquire  
**Spiegel & McDiarmid**  
1333 New Hampshire Ave.,N.W.  
Washington, DC, 20036

Paul W. Dillingham , Esquire  
**Spencer & Spencer, PA**  
226 E. Main Street, Ste. 200  
Rock Hill, SC, 29730

  
Susan Hauptmann

This 17<sup>th</sup> day of May 2006  
Columbia, South Carolina

**STATE OF SOUTH CAROLINA**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

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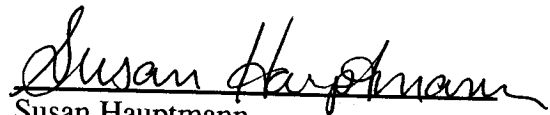
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Susan Hauptmann

This 17<sup>th</sup> day of May 2006  
Columbia, South Carolina

1                                   **BEFORE**  
2                                   **THE PUBLIC SERVICE COMMISSION OF**  
3                                   **SOUTH CAROLINA**

4                                   **DOCKET NO. 2006-6-G**

5                                   **May \_\_, 2006**

6  
7   IN RE:

8                                   )  
9   Annual Review of Purchased                                   )  
10   Gas Adjustment and Gas Purchasing                                   )  
11   Policies of South Carolina Pipeline                                   )  
12   Corporation                                   )  
13                                   )  
14                                   )  
15   \_\_\_\_\_ )

SETTLEMENT AGREEMENT

16           This Settlement Agreement ("Settlement Agreement") is made by and among the Office  
17   of Regulatory Staff ("ORS"), South Carolina Energy Users Committee ("SCEUC"), the City of  
18   Orangeburg, South Carolina ("City of Orangeburg"), Lancaster County Natural Gas Authority,  
19   York County Natural Gas Authority, Chester County Natural Gas Authority, Patriots Energy  
20   Group,<sup>1</sup> and South Carolina Pipeline Corporation ("SCPC" or "the Company") (collectively  
21   referred to as the "Parties" or sometimes individually as a "Party");

22           WHEREAS, by South Carolina Public Service Commission ("Commission") Order No.  
23   87-1122 dated October 5, 1987, the Commission instituted an annual review of SCPC's  
24   Purchased Gas Adjustment and Gas Purchasing Policies;

25           WHEREAS, on February 21, 2006, the Commission issued a revised notice of hearing  
26   and set return dates for the Annual Review of Purchased Gas Adjustment and Gas Purchasing  
27   Policies of SCPC;

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<sup>1</sup> Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, and Patriots Energy Group are collectively referred to herein as "PEG."

1       WHEREAS, the purpose of this proceeding is to review matters related to SCPC's gas  
2     purchasing policies and recovery of its gas costs;

3       WHEREAS, the period under review in this docket is January 1, 2005 to December 31,  
4     2005 ("Review Period");

5       WHEREAS, prior to the filing of the revised notice of hearing, ORS served data requests  
6     upon SCPC, and the Company provided responses addressing the information requested;

7       WHEREAS, ORS has examined the books and records of the Company and conducted  
8     inquiries and analyses related to SCPC's purchased gas adjustment and gas purchasing policies;

9       WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-  
10    captioned docket. There are no other parties of record in the above-captioned proceeding;

11      WHEREAS, the Parties have engaged in discussions to determine if a settlement of this  
12    proceeding would be in their best interests;

13      WHEREAS, following those discussions the Parties have each determined that their  
14    interests and the public interest would be best served by settling the above-captioned case under  
15    the terms and conditions set forth below:

16           1.    The Parties agree to stipulate into the record before the Commission the pre-filed  
17    direct testimony of SCPC witnesses Samuel L. Dozier, Michael P. Wingo, John S. Beier, and  
18    Thomas R. Conard, without objection, amendment, or cross-examination.

19           2.    The Parties agree to stipulate into the record before the Commission the pre-filed  
20    direct testimony of ORS witnesses Roy H. Barnette and Carey M. Flynt, without objection,  
21    change, amendment, or cross-examination.

22           3.    ORS is charged by law with the duty to represent the public interest of South  
23    Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1)  
24    through (3) reads in part as follows:

25               ... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above.

4. The Parties further agree that the stipulated testimony of record will conclusively demonstrate the following: (i) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent, (ii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, (iii) SCPC managed its hedging program during the Review Period consistent with Commission orders, (iv) Because SCPC anticipates transitioning from its current intrastate pipeline operations to interstate operations under the jurisdiction of the Federal Energy Regulatory Commission in the Fall of 2006, the Company should be allowed to wind down its hedging program during the months leading up to its interstate conversion while not exceeding in any event the currently approved level of up to 75% of estimated gas purchases for firm customers, (v) SCPC's Industrial Sales Program Rider ("ISPR") should be continued without modification, and (vi) SCPC should continue to assign 20,000 dekatherms ("dts")/day of the least expensive daily delivered gas volume to the weighted average cost of gas ("WACOG") (subject to the flexibility granted the Company during the summer period of April through October of assigning 10,000 dts/day of the 20,000 dts/day requirement in accord with its varying load demand). For calendar year 2006 this obligation shall be a pro-rata obligation (as to the total requirements for the period of intrastate operations) and shall end when and if the Company transitions to interstate jurisdiction.



1           5.     The Parties agree to cooperate in good faith with one another in recommending to  
2     the Commission that this Settlement Agreement be accepted and approved by the Commission as  
3     a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use  
4     reasonable efforts to defend and support any Commission order issued approving this Settlement  
5     Agreement and the terms and conditions contained herein.

6           6.     The Parties agree that by signing this Settlement Agreement, it will not constrain,  
7     inhibit or impair their arguments or positions held in future proceedings. If the Commission  
8     should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do  
9     so may withdraw from the agreement without penalty.

10          7.     This Settlement Agreement shall be interpreted according to South Carolina law.

11          8.     Each Party acknowledges its consent and agreement to this Settlement Agreement  
12     by authorizing its counsel to affix his or her signature to this document where indicated below.  
13     Counsel's signature represents his or her representation that his or her client has authorized the  
14     execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as  
15     original signatures to bind any party. This document may be signed in counterparts, with the  
16     various signature pages combined with the body of the document constituting an original and  
17     provable copy of this Settlement Agreement.

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22                                 (SIGNATURE PAGES FOLLOW)  
23  
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25

1 WE AGREE:

2 **Representing and binding the Office of Regulatory Staff**  
3

4 Wendy B. Cartledge  
5

6 Wendy B. Cartledge, Esquire  
7 C. Lessie Hammonds, Esquire  
8 Office of Regulatory Staff  
9 1441 Main Street, Suite 300  
10 Columbia, SC 29201  
11 Phone: (803) 737-0800  
12 Fax: (803) 737-0895  
13 Email: [wcartle@regstaff.sc.gov](mailto:wcartle@regstaff.sc.gov)  
14 [lhammon@regstaff.sc.gov](mailto:lhammon@regstaff.sc.gov)  
15  
16

17 WE AGREE:

18  
19 **Representing and binding South Carolina Pipeline Corporation**  
20  
21  
22  
23

24 Catherine D. Taylor, Esquire  
25 Patricia Banks Morrison, Esquire  
26 SCANA Corporation  
27 1426 Main Street, 13<sup>th</sup> floor  
28 Columbia, SC 29201  
29 Phone: (803) 217-9356  
30 Fax: (803) 217-7931  
31 Email: [cdtaylor@scana.com](mailto:cdtaylor@scana.com)  
32 [tmorrison@scana.com](mailto:tmorrison@scana.com)  
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37 Mitchell Willoughby, Esquire  
38 K. Chad Burgess, Esquire  
39 Willoughby & Hoefer, P.A.  
40 Post Office Box 8416  
41 1022 Calhoun Street, Suite 302  
42 Columbia, SC 29202-8416  
43 Phone: (803) 252-3300  
44 Fax: (803) 256-8062  
45 Email: [mwilloughby@willoughbyhoefer.com](mailto:mwilloughby@willoughbyhoefer.com)  
46 [cburgess@willoughbyhoefer.com](mailto:cburgess@willoughbyhoefer.com)  
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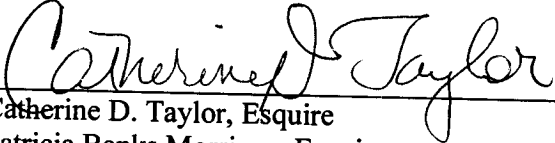
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14 Email: [wcartle@regstaff.sc.gov](mailto:wcartle@regstaff.sc.gov)  
15 [lhammon@regstaff.sc.gov](mailto:lhammon@regstaff.sc.gov)  
16

17 WE AGREE:

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19 **Representing and binding South Carolina Pipeline Corporation**

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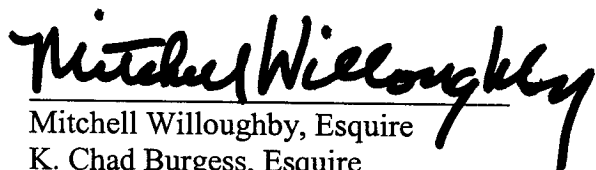
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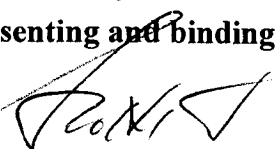
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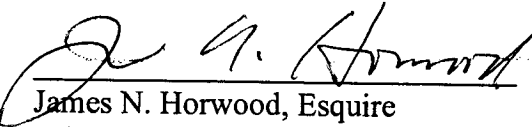
1 SCEUC has not independently reviewed (i) SCPC's gas purchasing policies and  
2 practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales  
3 Program Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of  
4 the least expensive daily delivered gas volume to the weighted average cost of gas. SCEUC's  
5 review of these matters is limited only to (i) SCPC's responses to ORS's Information Data  
6 Requests Set No. 1 dated January 13, 2006; and (ii) the pre-filed direct testimony of SCPC's and  
7 ORS's witnesses. Although SCEUC has not conducted an independent investigation into the  
8 prudence of SCPC's gas purchasing policies and practices, SCEUC is aware that ORS has  
9 conducted such an investigation, and by executing this Settlement Agreement, SCEUC hereby  
10 supports the positions and conclusions of ORS as set forth in the pre-filed direct testimony of  
11 ORS witnesses Roy H. Barnette and Carey Flynt.  
12  
13

14 **Representing and binding South Carolina Energy Users Committee**  
15  
16

17   
18 \_\_\_\_\_  
19 Scott Elliott, Esquire  
20 Elliott & Elliott, P.A.  
21 721 Olive Street  
22 Columbia, SC 29205  
23 Phone: (803) 771-0555  
24 Fax: (803) 771-8010  
25 Email: selliott@elliottlaw.us  
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1  
2 The City of Orangeburg has not independently reviewed (i) SCPC's gas purchasing  
3 policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial  
4 Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per  
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6 City of Orangeburg's review of these matters is limited only to (i) SCPC's responses to ORS's  
7 Information Data Requests Set No. 1 dated January 13, 2006, and (ii) the pre-filed direct  
8 testimony of SCPC's and ORS's witnesses. Consequently, the City of Orangeburg does not  
9 represent that SCPC's practices have in fact been prudent. Rather, the City of Orangeburg's  
10 execution of this Settlement Agreement is strictly limited to acknowledging that it does not  
11 oppose or object to the Commission making the findings set forth above in Paragraph 3  
12 applicable to the period under review.  
13  
14

15 **Representing and binding the City of Orangeburg**  
16

17   
18  
19 James N. Horwood, Esquire  
20 Pablo O. Nüesch, Esquire  
21 **Spiegel & McDiarmid**  
22 1333 New Hampshire Avenue, N.W.  
23 Washington, D.C. 20036  
24 Phone: (202) 879-4000  
25 Fax: (202) 393-2866  
26 Email: james.horwood@spiegelmc.com  
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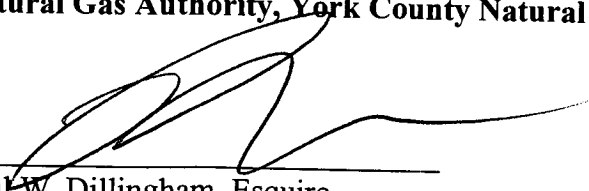
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MAY 16 2006

GENERAL  
COUNSEL'S OFFICE

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8 prudent. Rather, PEG's execution of this Settlement Agreement is strictly limited to  
9 acknowledging that it does not oppose or object to the Commission making the findings set forth  
10 above in Paragraph 3 applicable to the period under review.  
11  
12

13 **Representing and binding Lancaster County Natural Gas Authority, Chester County**  
14 **Natural Gas Authority, York County Natural Gas Authority, and Patriots Energy Group**  
15

16  
17  
18  
19   
Paul W. Dillingham, Esquire

20 **Spencer & Spencer, P.A.**

21 Post Office Box 780

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23 Rock Hill, SC 29731

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MAY 16 2006

GENERAL  
COUNSEL'S OFFICE